

# **MINUTES**

## **North Dakota Public Employees Retirement System**

**Thursday, September 14, 2006  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.**

Members Present:	Ms. Joan Ehrhardt Mr. Ron Leingang Ms. Sandi Tabor
Via Video Conference:	Ms. Rosey Sand Chairman Jon Strinden
Via Conference Call:	Mr. Howard Sage
Member Absent:	Ms. Arvy Smith
Others Present:	Mr. Sparb Collins, Executive Director, NDPERS Ms. Cheryl Stockert, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Cheryle Masset-Martz, NDPERS Ms. Rebecca Fricke, NDPERS Ms. Diane Heck, NDPERS Ms. Julie Krenz, Attorney General's Office Mr. Aaron Webb, Attorney General's Office Mr. Kevin Schoenborn, BCBSND Ms. Onalee Sellheim, BCBSND Mr. Mike Moehle, Segal Company Mr. Brad Ramirez, Segal Company Mr. Dave Bergerson, Segal Company Ms. Jodee Buhr, NDPEA Mr. Bill Kalanek, AFPE-INDSEA
Via Video Conference	Mr. Larry Brooks, BCBSND Mr. Chad Niles, BCBSND
Via Conference Call:	Mr. Bill Robinson, Gallagher Benefit Services

Chairman Jon Strinden called the meeting to order at 8:35 a.m.

## **MINUTES**

Chairman Strinden called for any comments or corrections to the August 17, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 17, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any comments or corrections to the August 24, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 24, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

Chairman Strinden called for any comments or corrections to the August 29, 2006 Board meeting minutes.

**THERE BEING NONE, MR. LEINGANG MOVED APPROVAL OF THE AUGUST 29, 2006 BOARD MEETING MINUTES. MS. EHRHARDT SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

## **GROUP INSURANCE**

Ms. Julie Krenz with the Attorney General's Office introduced Mr. Aaron Webb to the Board who is the recently hired attorney that is assigned to NDPERS.

## **ING**

Mr. Collins reported that PERS had a participating contract with ING, the previous insurance carrier, which we are now in the process of closing out permanently. Mr. Collins noted the Life Summary of Experience shows a positive amount of \$1,442,853.28, which is the amount we will get back plus interest. Secondly, ING has a claims reserve of approximately \$260,000 which is 10% of paid premium. ING has indicated that they would forward all of this amount if PERS would sign a Hold Harmless Agreement assuming responsibility for any claims to be paid in the future. Ms. Krenz stated the Attorney General's office does not support signing a blanket Hold Harmless Agreement. Mr. Collins stated that alternatively ING indicated that if we wanted ING to maintain responsibility for any future claims then ING would need to maintain half of the claims reserve or 5% of paid premium which would be approximately \$130,000 and then they would maintain responsibility for paying future claims.

**MR. LEINGANG MOVED TO AUTHORIZE MR. COLLINS TO NEGOTIATE WITH ING TO REDUCE THE RETAINAGE FEE TO 3 TO 4%, BUT ACCEPT THE 5% AS SETTLEMENT IN THE CLOSING. IN ADDITION, STAFF SHOULD INSURE THAT**

**THERE IS DOCUMENTATION THAT ING WILL BE RESPONSIBLE FOR FUTURE CLAIMS. THE MOTION WAS SECONDED BY MR. SAGE.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Arvy Smith

**MOTION PASSED**

**GROUP INSURANCE RENEWAL**

Mr. Collins reported staff has been working with BCBS to finalize the group insurance renewal, but there are issues that need further clarification from BCBS before a final decision can be made. Therefore, staff suggested deferring the decision on the renewal until October. Mr. Collins shared with the Board the information received to date from BCBS. Next week Mr. Collins will be meeting with OMB to present the proposed group insurance renewal, pending Board action.

Mr. Collins stated there was a news announcement reporting that BCBS is returning premiums to members in the amount of \$26 million. NDPERS is not included in this premium return because receive funds each biennium if the plan has a gain. However, Mr. Collins indicated we should ask BCBS to review this with the Board at the next meeting.

In addition, Mr. Collins noted we need clarification from BCBS relating to our ability to audit the pharmacy benefits and the PBM.

The Board directed Mr. Collins to proceed in obtaining the information from BCBS prior to the next meeting to assist in making their final decision relating to the group insurance renewal.

**MEDICARE PART D RENEWAL**

Mr. Collins indicated that Medicare Part D is due for renewal January 1, 2007. Mr. Brooks, BCBS, presented information relative to the changes for Medicare Part D. CMS has indicated they will separate out the specialty drugs that are currently on the third tier which are nonpreferred drugs and include a \$25 copayment and 50% coinsurance; these drugs will become the 4<sup>th</sup> tier. The renewal rate for 2007 for PERS will increase by 9.5% to \$58.94 per month. If supplemental drugs are added to this coverage, the rate will increase to \$60.14. Mr. Collins requested BCBS provide additional information at the October 19 Board meeting before a final decision is made and he also suggested that PERS meet with the retiree group to review this information as well.

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the surplus projections through July 2006. He reported the claims projections are coming in as expected. The projection for the 2003-2005 biennium shows an ending balance of \$15.6 million.

### **RETIREMENT**

#### **DEFINED CONTRIBUTION VESTING SCHEDULE**

Ms. Fricke reported that PERS was contacted by Fidelity Investments to review an audit of members that participate in the defined contribution plan to ensure that participants are vesting correctly in the employer contribution and to ask for clarification from PERS. Upon review of the NDCC 54-52.6-10 and the Plan Document, it appears that vesting in this plan is only based on years of service credit and not on the age of the participant. Staff is asking for Board action to prepare legislation to change the law to include 100% vesting in the employer contribution based on obtaining age 65 (which is consistent with how this is applied in the Defined Benefit plan).

**MS. TABOR MOVED TO ACCEPT THE STAFF RECOMMENDATION TO PREPARE LEGISLATION TO ALLOW PARTICIPANTS TO VEST IN THE DEFINED CONTRIBUTION PLAN AT 100% BASED ON OBTAINING AGE 65 TO BE CONSISTENT WITH THE DEFINED BENEFIT PLAN. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden

**Nays:** None

**Absent:** Arvy Smith

**MOTION PASSED**

### **FEDERAL PENSION LEGISLATION UPDATE**

Mr. Collins stated that in August the president signed the Pension Protection Act of 2006, with some significant provisions relating to public sector plans. Segal will be available at either the October or November meeting to provide an update. One change in the law relates to the provision of purchases by an eligible participating member. Federal law has always stated that only active members can purchase time, however, the new federal law has expanded the definition of who can purchase, including nonactive members. North Dakota state law states that only participating members can purchase service. Staff is recommending legislative amendments to maintain the existing purchase opportunities, to change the wording in the law from "participating member" to "participating active member".

**MS. SAND MOVED TO PURSUE LEGISLATION TO MAINTAIN THE STATUS QUO RELATING TO PURCHASE OF SERVICE OPTIONS FOR ONLY PARTICIPATING ACTIVE MEMBERS. THE MOTION WAS SECONDED BY MS. TABOR.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

## **2<sup>ND</sup> QUARTER 2006 INVESTMENT REPORT**

Mr. Reinhardt reported that the 401(a) Plan has assets of \$14.6 million as of June 30, 2006. The 457 Companion Plan increased to over \$18.1 million. Representatives from Fidelity attended the Investment Subcommittee meeting and stated the performance was positive and they had no recommended changes.

## **NEW FIDELITY FUNDS FOR THE 401(a) and 457 PLANS**

Mr. Reinhardt reported that at the last Investment Subcommittee meeting, Fidelity proposed the addition of the Freedom 2045 and 2050 lifestyle funds be added to the 401(a) and 457 core fund offerings. These funds will be more aggressive and would be in addition to the current lifestyle fund options.

**MS. TABOR MOVED TO ADD THE FIDELITY FREEDOM 2045 AND 2050 LIFESTYLE FUNDS TO THE CORE FUND OFFERINGS. THE MOTION WAS SECONDED BY MS. SAND.**

**Ayes:** Mr. Leingang, Mr. Sage, Ms. Sand, Ms. Tabor, Ms. Ehrhardt, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Smith

**MOTION PASSED**

Mr. Collins introduced the new representatives from Segal who attended the Board meeting and will be meeting with staff. Mr. Michael Moehle, Vice President and Consulting Actuary, took over responsibilities of Ms. Leslie Thompson who has left Segal.

### **LASR UPDATE**

Ms. Knudsen presented the monthly status report for the LASR project, stating we are on schedule. Mr. Collins indicated that on October 11 we will be appearing before the Legislative Information Technology Committee to introduce the project since LASR is classified as a large project. In October staff will be going to SITAC to present an overview of the project as well.

### **MISCELLANEOUS**

The Audit Committee update was presented and it was reported to the Board that an audit committee meeting was held relating to staffing issues. Internal Audit staff will be assisting in the accounting area.

State Investment Board agenda was not available at the time of the Board meeting.

The meeting adjourned at 9:50 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the NDPERS Board